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MARXIAN ECONOMICS

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Marxian Economics

The economic theory formulated and developed by Karl *Marx (Trier, 1818 – London, 1883). By extension, 'Marxian Economics' refers to all theoretical approaches that are predicated on Marx's economic concepts (Howard and King 1989, 1992).

Marx developed his economic theory, under the rubric of A Critique of Political Economy, mainly in the period 1857-1867. It is a well-defined system, structured as a logical array of original concepts and analyses of Marx's theory of *value and *surplus-value. Marxian economics emerged from Marx's earlier historic-sociological analyses and is formulated along with a new methodological approach.

Marx's mature economic writings contain the following works: the Manuscripts 1857-58, (first published in 1939-41 as Grundrisse, Foundations of the Critique of Political Economy – Marx 1993); the book A Contribution to the Critique of Political Economy (first published 1859, Marx 1971); the Manuscript 1861-63 (comprising nearly 2,500 printed pages), a part of which was first published during the period 1905-10 under the title Theories of Surplus Value (Marx 1969, 1970, 1972); the Manuscripts 1863-67 (containing all drafts of the three volumes of Capital. A Critique of Political Economy); and Volume one of Capital (first published in 1867). In the second (1872-73) edition of Volume one of Capital (Marx 1990), Marx revised Part one of the book, entitled 'Commodities and Money'. Volumes two and three of Capital were edited and first published by Engels in 1885 and 1894 respectively.

The theoretical background: Marx's Theory of History

The economic theory of Marx is firmly embedded in the Theory of History, which he had formulated and developed jointly with Frederick Engels since the mid 1840s.

Starting from his Theses on Feurbach (1845), Marx rejects the entire tradition of theoretical-philosophical humanism (the conception that the individual or human nature determines the form and the evolution pattern of societies). He wrote: 'Feuerbach resolves the religious essence into the human essence. But the human essence is no abstraction inherent in each single individual. In its reality it is the ensemble of the social relations' (6th Thesis on Feuerbach). On this basis Marx formulated his concept of *class struggle as the motive force of social evolution: 'The history of all hitherto existing society is the history of class struggles' (The Communist Manifesto, Marx-Engels 1985, 79).

Marx grasped the unity and coherence of *society in terms of social-class power: Power no longer constitutes the 'right of the sovereign,' or the 'power of the *state' in relation to (equal and free) individuals, but a specific form of class domination of the ruling class over the dominated classes of society. It becomes stabilised on the basis of dominant social structures, and is reproduced through class antagonisms.

In the framework of this analysis, Marx regarded the economy as the actual basis of the whole class society – with property relations vis a vis the means of production the keystone of class identity. *Capitalism is thus conceived of as a social regime characterised by the complete separation of the labourers from the means of production, which are now monopolised by the ruling class of capitalists. The labourer becomes a propertyless proletarian, who has only one chance in life: to exchange his labour-power for a wage to the capitalist, who now becomes the owner of all value

produced by the wage labourer: '*Capital [is] that kind of property which exploits wage labour, and which cannot increase except upon conditions of begetting a new supply of wage labour for fresh exploitation' (Marx-Engels 1985, 96-7). However, until 1857 Marx's analysis was derived from the Ricardian theory of value, as he had not yet developed his own value theory.

Value, abstract labour and money

According to the main postulate of the Ricardian theory of value, *commodities are exchanged with each other at relative quantities reflecting the relative quantities of labour necessary for their production. Consequently, the value of each commodity corresponds to the quantity of labour bestowed on its production.

Marx revolutionised the Ricardian theory of value in two ways:

a) On the analytical level, Marx conceived of value as a (historically) specific social relation: Value is the identity that the products of labour acquire under capitalism, an identity which is realised on the market through their exchangeability with all other products of labour, i.e. through their character as commodities carrying a specific money-price on the market. 'Had we (…) inquired under what circumstances all, or even the majority of products take the form of commodities, we should have found that this can only happen with production of a very specific kind, capitalist production' (Marx 1990, 273). Value is thus not a property which in all historical cases is infused into the products of labour by the individual labourer. Furthermore, under capitalism, it is not only the products of labour that become commodities, but also the labour-power of the working people, who in the course of history have lost all property rights over the means of production and are obliged (by the threat of starvation) to sell their labour-power to the capitalists (owners of the means of production) in order to be able to purchase the necessary means of subsistence.

Marx is now able to attack the question of commensurability (general exchangeability) of commodities: Where classical political economists believed that they had given an answer (qualitatively different objects –use values– become commensurable –exchangeable– because they are all products of labour), Marx poses the question of why qualitatively different forms of labour are commensurable. 'What appears objectively as diversity of the use values, appears, when looked at dynamically, as diversities of the activities which produce those use values' (Marx 1971, 29). To answer the question one must comprehend the social character of labour: The capitalist division of labour and the corresponding *social organisation of the production process is based on the direct (institutional) independence of each specific producer (capitalist) from all others. However, all these individual production processes are indirectly correlated with each other through the market mechanism, as each one produces not for himself but for the others, for the rest of society (the market). This induces the social (capitalistic) homogenisation of all individual labour processes through the generalised commodity *exchange and the competition among individual producers (capitalists). Marx expounds this process of social homogenisation of the different labour and production processes by introducing the concept of abstract labour: Labour in capitalism is on the one hand concrete labour (producing a concrete use-value) and on the other abstract labour, labour of equal social quality which enables the general commensurability and exchange of commodities: 'The labour expressed in exchange value is abstract universal social labour, which is brought about by the universal alienation of individual labour' (Marx 1971, 56-57).

b) On the methodological level Marx introduced a theory of the forms of appearance of economic and social relations, as distinct from the internal, hidden, causal regularities (or laws) governing these relations, which are not detectable on the level of the observable phenomena. As he had already explained in his first text of the period, the Introduction to the Grundrisse, the purpose of economic science is to start from these concrete forms of appearance, only in order to abstract from them and thereafter return to them by a new, theoretical, path, which would allow for the formation of the theoretical concepts of the phenomena; concepts which would reveal the internal causalities regulating the observable phenomena. Marx's methodology thus constitutes a rupture with all forms of empiricism, since it bases itself on the thesis that empirical observation does not suffice for the comprehension of causality in economic processes. As he puts it:

'the form of appearance (…) makes the actual relation invisible, and indeed presents to the eye the precise opposite of that relation'. '(…) just as the apparently motions of the heavenly bodies are intelligible only to someone who is acquainted with their real motions, which are not perceptible to the senses' (Marx 1990, 680, 433).

The implication of the above theses is that value never expresses itself as such (is therefore never directly-empirically conceivable or measurable), but only through its forms of appearance (the price of commodities). These forms of appearance refer not to the level of each individual commodity but to the level of the market: they express each commodity's exchange relation with all other commodities; they materialise the social homogenisation of labour (as denoted by the notion abstract labour).

The form of value, i.e. the directly observable quantity which expresses (executes) the general exchangeability of commodities, is *money; it is the general equivalent of the exchange process, as all commodities express in it their exchange value. Having acquired the sole function of expressing and measuring value, money (even if it is a special commodity: gold), does not possess value itself, since if the opposite were true 'it would have to be brought into relation with itself as its own equivalent', (Marx 1990, 189), which is obviously meaningless. As the general form of appearance of value, money is conceived by Marx as the 'material embodiment of abstract and therefore equal human labour' (Marx 1990, 184).

Unlike the Ricardian, the Marxian theory of value is a monetary theory. The value of a commodity cannot be determined as such, but only through its form of appearance; it cannot be determined in isolation but only in relation with all other commodities in the exchange process. This exchange-value relation is materialised by money. In the Marxian system, no other 'material embodiment' of (abstract) labour and no other quantitatively defined form of appearance (or measure) of value can exist. Money functions as a measure of value, as the means of circulation (a special case of which is international money), as means of hoarding, and as money-capital, which is its most significant economic function in capitalism. Marx introduces his analysis of money as capital, under the sub-title 'means of payment', in the 3rd section of Chapter 3 of Volume one of Capital, (i.e. before defining the notion of capital or interest), only to continue it in Part Two of Volume one and in Part Five of Volume Three.

When analysing the function of money as means of circulation, Marx underlines the fact that exchange of commodities is a dual process of sale and subsequent purchase, in accordance with the formula C-M-C (where C stands for commodity and M for money). This split of exchange into two sub-processes constitutes a general possibility of economic crises, which classical economists (following *Say's law) failed to comprehend, because they eliminated money and approached exchange as if it were an act of barter.

The Marxian theory of value refers simultaneously to the notion of abstract social labour (as the causal determinant or the 'essence' of value) and to money (as its necessary form of appearance). Value is thus a social relation accruing from the social homogenisation of labour under capitalism and manifesting itself in the general exchangeability of commodities on the market. From a quantitative point of view the value of a commodity would be the quantity of socially necessary labour (i.e. labour possessing the socially average characteristics of production technique, skill, intensity etc.) expended on its production. However, the necessarily distorted form of appearance of all causal determinations results in relative *prices of commodities which, in the general case, differ from what their relative values would be. Marx, after making clear that 'the possibility of a quantitative incongruity between price and magnitude of value (…) is inherent in the price form itself' (Marx 1990, 196), assumed though, in Volumes one and two of Capital, that commodities exchange at their values –as in those texts he was mainly concerned with the study of the causal determinations (the 'essence') of the capitalist economy. In Volume three of Capital he abandoned this assumption, as he concentrated on the forms of appearance of the capitalist relations of production. There he introduced the concept of production prices, as the transformed forms of value ensuring the equalisation of the profit rate of all individual capitals, which are bound together in the framework of a capitalist economy through competition (see below).

Capital, surplus-value, accumulation

Marx's capital theory is based on his concept of value. Capital is value which, although created by the labouring class, has been appropriated by the capitalists. Being value, capital appears as money and commodities. It is, however, specific commodities that function as capital: means of production (constant capital) on the one hand, and labour-power (variable capital) on the other.

For labour-power to be a commodity, a long historical process of social change and revolutions must have taken place, from which there emerges the free labourer: 'free in the double sense that as a free man he can dispose of his labour-power as his own commodity and that on the other hand he has no other commodity for sale, i.e. he is rid of them' (Marx 1990, 272). The formation of the capital – wage labour relation is thus a historically specific form of class power which is inseparable from the institutional, legal and ideological edifice of the 'free person' and equality. Marx describes this historically specific social order as the capitalist *mode of production.

Sale and purchase of labour power does not contravene the exchange of equivalents, on which every market is based: On the labour market, the capitalist and the labourer meet each other 'on a footing of equality as owners of commodities' (Marx 1990, 271). The labourer gets from the capitalist a real wage, i.e. an ensemble of commodities that is necessary for the maintenance and reproduction of his labour power. For Marx, the magnitude of the real wage is determined historically. However, it cannot be reduced below the physically necessary means of subsistence on the one hand, neither it can be raised to a level allowing the worker change his social position (to purchase means of production) on the other. The decay of the labouring ability of the workers determines the lower limit; overpopulation of labourers (the reserve army of labour as Marx named it) and periodically increasing unemployment, due to economic fluctuations and crises (see below) safeguard the upper limit. The nominal wage is

the value of (all commodities comprising) the real wage.

The use-value for the capitalist of the labour-power he purchases is that it produces (as it is consumed productively, in the labour process) commodities containing more value than its own. Let v be the value of one unit of labour power (the variable capital advanced by the capitalist), then the new (net) value produced by it would be v+s, where s is the surplus-value, the portion of the produced value which the capitalist acquires. The labour process is thus simultaneously a process of valorisation and of surplus-value production. The working day is divided into the necessary labour time (during which the labourer produces a value equal to that of his labour-power) and the surplus labour time (in which surplus-value is produced). If (c) is the (pre-existing) value of the means of production which are worn out in the production process (or the amortisation), then the (gross) value of the produced output will be c+v+s.

Surplus-value production is a process of exploitation of the labourers by the capitalist. Marx defines as exploitation rate (or surplus-value rate) the quotient s/v. The aim of capitalist production is to increase surplus-value and the rate of exploitation. This is a moment inherent in the capital relation, which shapes the will of its 'bearer', the individual capitalist, who functions 'as capital personified and endowed with consciousness and a will' (Marx 1990, 254). Surplus-value increases accruing from a prolongation of the work-day or the intensification of labour are regarded by Marx as production of absolute surplus-labour. However, increases in s/v also result from increases in productivity of labour, which suppress the value of unit commodities and consequently reduce nominal wages if real wages remain unchanged (or even increase at rates lower than the increase rates in labour productivity). This process is defined as production of relative surplus-labour.

Money acting as capital unifies the capitalist production and circulation process, in accordance with the following scheme:

M—C(=Mp+Lp)[→P→C´]—M´

The capitalist appears on the market as the owner of money (M) purchasing commodities (C), these being means of production (Mp) and labour power (Lp). In the production process (P), he productively consumes C, to create an output of commodities (C´), whose value exceeds that of C. He finally sells this output to gain an amount of money (M´) higher than (M). So the 'circulation of money leads to capital' (Marx 1993, 776). Money appears to possess 'the occult ability to add value to itself' (Marx 1990, 255). This is most clearly the case for loan (or interest-bearing) capital, which the banker or money-capitalist lends to the industrialist. The surplus value created in the production process is then divided into industrial profit and interest, the latter apparently accruing automatically from loan-money itself.

The surplus value (s=M´–M) acquired by the capitalist is transformed partly into means of private consumption for himself and partly into additional constant and variable capital (i.e. additional means of production and labour power) for the expansion of production. This last process (i.e. the transformation of surplus-value into capital) is defined as *accumulation. Through accumulation, the capitalist economy is reproduced on an expanded scale. (In the special case of no accumulation, i.e. when all surplus-value goes to the capitalist's private consumption, we have simple reproduction). In Volume two of Capital, Marx formulates the conditions of uninterrupted reproduction of a pure capitalist economy comprising two sectors, one of which produces means of production for the whole economy, and the other means of consumption for all labourers and capitalists.

Let $c_1+v_1+s_1$ be the output of sector 1, producing means of production. In the case of uninterrupted expanded reproduction, this output must be equal to the demand of both sectors for means of production (for amortisation and accumulation), i.e.

$c_1+v_1+s_1=c_1+\Delta c_1+c_2+\Delta c_2$. Considering that $s_1=\Delta c_1+\Delta v_1+pc$, (where $\Delta c_1+\Delta v_1$ refers to the accumulation of constant and variable capital and pc to the personal consumption of the capitalists, of sector 1), we finally conclude that the consumption expenditure in sector 1 must be of equal value to production expenditure in sector 2:

$v_1+\Delta v_1+pc=c_2+\Delta c_2$ (1)

Prices of production

The distorted forms of appearance of economic relations do not designate a false impression in consciousness, but to a reality, which is the outcome of class power, and which precludes the apprehension of causalities behind it. In this context, labour-power appears to be incorporated in capital as variable capital. The products of labour thus appear to be products of capital. The result is the formation of such commodity prices that the profit accrued on all individual capitals tends toward the average profit, i.e. a profit corresponding to the average profit rate of the economy (see relation 4, below). Since different individual capitals generally have different relative portions of constant (C) and variable (v) capital, the relative prices of the commodities they produce are different from what their relative values would be. On the basis of this approach, Marx solves a problem that tormented *Ricardo and his school.

For each individual capital, the cost price in value terms (k) is defined as the expense in constant (c) and variable capital (v), that is the sum k = c+v. Assuming a constant rate of exploitation s/v, the value of a commodity would be:

$w = c + v(1+s/v)$ (2)

and for a given cost price (c+v = const.) it would increase with v (with decreasing c/v).

Conversely, for a given profit rate, r, and assuming, for mathematical simplicity, that all constant capital wears out in each production process (i.e. C=c), the production price of the commodity would be:

$P = (c'+v')(1+r) = k'(1+r)$ (3)

where c´+v´ is the cost price (k´) in price terms. It is clear that P remains unchanged for a given cost price (c´+v´ = const.), irrespective of changes in the ratio c´/v´.

Marx calculated production prices starting from values, and erroneously used the cost price in value terms (k instead of k´) to calculate production prices (P). Ladislaus von Bortkiewicz (1906) first corrected his mathematical errors.

‘**Fetishism’**

Prices of production disguise exploitation relations since ‘surplus-value appears as having arisen from the total capital’ (Marx 1991, 267) and not from labour. The wage then appears then as the ‘price of labour’ (Marx 1990, 680) and not of labour power; capital appears as a self-valorising medium.

Marx denotes as ‘fetishism’ the disguising effects that are inherent in the forms of appearance of capitalist relations, in all cases that they make the latter manifest themselves as relations between things. Through ‘fetishism’, social relations (capital, value) appear as material objects (means of production, gold). He especially emphasised the ‘fetishist’ character of revenue forms (rent apparently accruing from ‘land’, profit from the ‘means of production’) and of interest-bearing capital, which ‘displays the conception of the capital fetish in its consummate form’ (Marx 1991, 523), as money appears to create money. However, the introduction of the notion of *‘commodity fetishism’ before that of capital, in Volume one of Capital, gave rise to disputes over the philosophical significance of ‘fetishism’ in Marxian theory.

Technological innovation and the tendential fall in the profit rate

The tendency of the profit rate to fall has been part of the economists’ credo since the Classical era. Ricardo tried to present it as a result of increasing rent payments by farmers to landlords, triggering an upward surge in *wages and a corresponding fall in profits due to price increases in wage-commodities.

Marx, with his *law of the tendential fall in the rate of profit, shows that technological innovation aimed at increasing labour productivity and induced through competition could be the cause of such a phenomenon. He bases his analysis on the notions technical composition of capital (designating the number of means of production per labour unit in material terms) and value (or organic) composition of capital (the ratio of constant to variable capital, in value terms). The technical composition of capital increases with accumulation and technical innovation. Marx argued that, all other factors remaining unchanged, a fall in the rate of profit may occur when the technical composition of capital increases faster than the productivity of labour induced by it.

Considering the rate of profit to be the dependent variable (R) one may write:

$$R = \frac{s}{C+v} = \frac{s/v}{(C/v)+1} \quad (4)$$

where C stands for constant capital, s/v for the exploitation rate (surplus-value rate) and (C/v) for the value (organic) composition of capital.

It can be shown that (C/v) is a positive function of (T/p), where T is the technical composition of capital and p the productivity of labour (or the inverse of the value of one unit of product). So if T rises faster than p, the value composition of capital increases. In all cases where this increase is faster than the increase in the exploitation rate (s/v), the tendential fall in the profit rate prevails over the counteracting tendencies.

Following the logic of Marx’s analysis one may say that in all cases where technical innovation does not cause higher increases in the technical composition of capital than in labour productivity, an upswing in the profit rate takes place. The upward trend in the profit rate prevails also when the exploitation rate increases faster than the organic composition, or when the organic composition decreases more slowly than the rate of exploitation. Marx himself

writes: ‘The rate of profit could even rise, if a rise in the rate of surplus-value was coupled with a significant reduction in the value of the elements of constant capital, and fixed capital in particular’ (Marx 1991, 336-37). It was Engels who added to this text the following phrase, which is not to be found in Marx’s original manuscript: ‘In practice, however, the rate of profit will fall in the long run, as we have already seen’.

Economic crises

Having rejected Say’s law in the light of his own monetary theory of value, Marx regarded economic crisis as a conjunctural *overproduction of commodities, having as its corollary the retardation of the able-to-pay demand (*underconsumption). There has been a lot of dispute among Marxists and non-Marxists as to which of these two simultaneously appearing elements constitutes the decisive structural relation of economic crises in capitalism. Whatever the truth of the matter, Marx considered crises not simply as a reflection of lack of equilibrium between supply and demand, but as an imbalance affecting all aspects of capitalist expanded reproduction. A crisis results in a fall in the profit rate and indicates a reduced ability of the capitalist class effectively to exploit labour. ‘Periodically, too much is produced in the way of means of labour and means of subsistence, too much to function as means for exploiting the workers at a given rate of profit’. (Marx 1991, 367).

However, crises are merely temporary destabilisations of the capitalist process of expanding reproduction. Moreover they simultaneously function as mechanisms ‘that re-establish the disturbed balance for the time being’ (Marx 1991, 357).

As regards the fall in the profit rate, Marx did not reduce crises to the law of the tendential fall, since he incorporated in his analysis all factors that increase the organic composition (or reduce the exploitation rate) –not only increases in the technical composition of capital due to technical change. One example might be an abrupt increase in prices of raw materials: ‘Violent fluctuations in price thus lead to interruptions, major upsets and even catastrophes in the reproduction process’ (Marx 1991, 201-202).

The most important of such factors is the increase in the value of constant capital that is necessary for the production of one product unit. Let the quantitative expression of this factor be C/Y, where C is the constant capital and Y the net product, (the sum s+v, of surplus-value and value of the labour-power). The organic composition of capital (C/v) depends on (s/v) on the one hand, and on (C/Y), on the other:

$$\frac{C}{v} = \frac{C}{Y}*\frac{Y}{v} = \frac{C}{Y}*\frac{(s+v)}{v} = \frac{C}{Y}*\left(\frac{s}{v} + 1\right) \quad (5)$$

Marx studied the variety of factors determining C/Y (such as the length of the workday, the skill and education of workers, the concentration of production, technological aspects etc.) in Part one of Volume three of Capital, under the rubric ‘Economy in the use of constant capital’.

Ground rent

According to Marx, there exist different forms of ground rent, resulting from the concrete social relations that prevail in agriculture. Under the domination of the capitalist mode of production, ground rent is paid by capital advanced in agriculture (i.e. by the farmers) to the owners of land, as a result of the ownership-monopoly on the ground by the latter. Rent is an extra profit created by labour, over and above the average profit of capital. Marx distinguishes two forms of ground rent: differential and absolute rent.

Private property on the land does not create but merely displaces differential rent from the farmer to the landowner. Differential rent springs from higher labour productivity (which creates extra-profits) either in the more fertile or better-situated lands (differential rent I) or in lands with higher capital investments (differential rent II). It is, therefore, the conversion of an extra profit into rent; this extra profit results from the difference between the (higher) market price (which is determined by the price of production of capital advanced in the marginal land, i.e. the land which does not give differential rent) and the (lower) ‘individual price of production’, of each other capital, which is advanced in better lands.

Unlike West, *Malthus or Ricardo, Marx disconnected differential rent from the so-called ‘law of diminishing returns of the soil’: ‘Differential rent can arise with a progression to ever better soil (…) Its only precondition is the inequality of types of soil’ (Marx 1991, 798).

Absolute rent is created exclusively by the monopoly of private property on all land. It springs from an excess of value of agricultural products over their production price. Even in the marginal land, ‘landed property has created this rent itself’ (Marx 1991, 889); however, this is a possibility depending on ‘the general state of the market’ (Marx 1991, 898), and the conjuncture of class-struggle. The precondition for value produced by an individual capital to be higher than

the production price is this capital's lower organic composition, in comparison to that of the average social capital. Consequently, the lower organic composition of capital advanced in agriculture (a reality denied by Ricardo, who thus neglected absolute rent) results in the production of a higher surplus-value in agriculture, as compared with any other sphere of production. The ownership-monopoly on the land, functioning as a barrier, blocks this extra surplus-value from entering into the process of general equalisation of the profit rate; it is therefore recovered by the landowner as absolute rent (Marx 1991, Chapter 44).

Marx also analysed the pre-capitalist forms of ground rent, which appear as 'labour rent', 'rent in kind', or 'money rent'. In the feudal mode of production, 'labour rent' and 'rent in kind' constituted the 'dominant and normal forms (…) of surplus labour and surplus product' (Marx 1991, 930). The form of labour rent absorbed the total of surplus-labour, whereas rent in kind might not necessarily absorb the total surplus-product. Money rent is in most cases 'a formal transformation of the rent in kind' (Marx 1991, 930), designating, though, the dissolution of pre-capitalist and the emergence of the capitalist forms of rent.

Non-capitalist modes of production and capitalist development

Marx's conception of the capital relation as the decisive characteristic of a historically specific form of economy and society was synonymous with his effort to grasp 'the specific characteristics which distinguish capital from all other forms of wealth – or modes in which (social) production develops' (Marx 1993, 449). This effort led him to think about the 'forms, which precede capitalist production'. Consequently, his concept of the capitalist mode of production as the causal nucleus of capitalist social relations presupposed the notions of non-capitalist modes of production (e.g. feudal, slave-owning etc.).

In the specific form of exploitation (surplus form and its mode of appropriation and distribution) arising from the ownership relations corresponding to the means of production, Marx saw 'the hidden basis of the entire social edifice, and hence also the political form of the relationship of *sovereignty and dependence' (Marx 1991, 927).

The question now arises under what conditions pre-capitalist social structures are replaced by the capitalist mode of production, or to what extent they may constitute an impediment to capitalist *development. Many authors have portrayed Marx as an advocate of a 'progressivist prognosis', according to which all countries will inevitably go through the same stages of economic and social evolution, from pre-capitalist forms to developed capitalism, culminating in *socialism. Although such formulations can be found in the work of Marx and Engels (and the Introduction to the <u>Contribution …</u> is an example), the 'progressivist prognosis' does not prevail in the economic writings of Marx's maturity. Marx recognises mainly the <u>possibility of capitalism</u> emerging as a <u>consequence of class struggle</u> and he outlined the prerequisites for such a historical development.

In a 1881 letter to the Russian socialist Vera Zasulitch he wrote: 'I have shown in <u>Capital</u> that the transformation of feudal production into capitalist production has as its starting point the expropriation of producers, which mainly means that the expropriation of the peasants is the basis of this whole process (…) Surely, if capitalist production is to establish its domination in Russia, then the great majority of the peasants must be transformed into wage-earners. But the precedent of the West will prove here absolutely nothing' (MEW, Vol. 19, 396-400).

Only in the event of the capitalist mode of production becoming through class struggle fully dominant in a social formation is capitalist development established as an inherent tendency of social evolution: 'But this inherent tendency to capitalist production does not become adequately realised –it does not become indispensable, and that also means technologically indispensable— until the specific mode of capitalist production and hence the real subsumption of labour under capital has become a reality' (Marx 1990, 1037).

Discontinuities and contradictions in Marx's writings

In the course of his writing, Marx changed the plan of his work: While in 1857-9 he planned to write six books (Capital, Landed property, Wage labour, The state, External trade, The world market and crises), later on he worked out the plan of the three books of <u>Capital</u>, where capital, wage labour and rent are dealt with simultaneously, in the analysis of the production and circulation process of capital. This change of plan is due mainly to a modification in notions: Initially, Marx thought of the distinction between causal determinations and forms of appearance in terms of 'capital in general' and the 'competition of many capitals' (the latter being conceived as the form of appearance of the former). However, his analysis of the formation of a general profit rate led him to comprehend competition also as an internal determinant of the capital relation. So in <u>Capital</u> he abandoned the notion 'capital in general' and formulated the concepts of <u>social capital</u> (involving all causalities of the capital relation on the level of the whole economy) on the one hand and <u>individual capital</u> on the other.

Apart from this modification of ideas, which constitute a theoretical discontinuity in the work of Marx, there are discussions among Marxists as to whether some of Marx's elaborations are consistent with his own system, or

whether they incorporate theses of classical political economy, reflecting the contradictions of Marx's rupture with Ricardian theory. Some of his theses on crises and the transformation of values into production prices raise such questions.

Finally, mutually contradictory theses sometimes appear in Marx's writings. The most characteristic example has to do with whether capital in the circulation process should be regarded as productive or unproductive. In the Grundrisse (as well as in Volume one of Capital), Marx considers all capital forms equally productive (i.e. producing surplus-value): 'Insofar as circulation itself creates costs, itself requires surplus labour, it appears as itself included within the production process (…) Circulation can create value insofar as it requires fresh employment (…) in addition to that directly consumed in the production process' (Marx 1993, 524, 547). However, in Volume Three of Capital, Marx defined circulation capital as unproductive: 'Commercial capital (…) creates neither value nor surplus-value' (Marx 1991, 395).

These discontinuities or contradictions in the work of Karl Marx have only a minor effect on his theory, as they remain marginal and do not overshadow the consistency of the major notions and analyses on which it is built.

Further reading

- K. Marx (1990) Capital, Volume one, London: Penguin Classics. Analyses the process of production of capital, on the basis of Marx's theory of value, with an exposition of which the book starts. Together with the two other volumes, it is undoubtedly the most important work of Marx.

K. Marx (1992) Capital, Volume two, London: Penguin Classics. Continues the analyses of Volume One, focusing on the process of circulation and reproduction of capital.

Marx (1991) Capital, Volume three, London: Penguin Classics. Examines the process of capitalist production as a whole, focusing on the forms of appearance of value relations. However, the recently (1992) published original German Manuscript of Volume three of Capital (MEGA II, 4.2), has revealed that Engels made significant changes to the manuscript, involving not only design of headings and sub-headings, but also textual transpositions, omissions and insertions which sometimes influence the meaning of Marx's writing. If one excluded the insertions made by Engels, the German version of Volume Three would be reduced to 580 from 860 pages.

Marx, K. and Engels, F. (1985) The Communist Manifesto, London: Penguin. A comprehensive illustration of the authors' Theory of History as the history of class struggles.

M.C. Howard and J.E. King (1989 & 1992) A History of Marxian Economics (Volume I, 1883-1929 & Volume II, 1929-1990), Princeton: Princeton University Press. A useful guide for further reading on the evolution of ideas and on major controversies in and around Marxian economics since Marx's death.

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